



DATE: December 20, 2010
TO: The Chairman and Board Members
FROM: Roelof van Ark, Chief Executive Officer
RE: Agenda Item #1 – Corridor Selection Modification

Discussion:

At the December 2, 2010 California High-Speed Rail Authority (Authority) public meeting, the board approved the selection of the initial construction section based on the presentation done by Authority staff. This selection, referred to as Alternative 1 in the board documentation for that meeting, was approved by the board unanimously (7:0).

The states of Wisconsin and Ohio decided not to proceed with their high-speed intercity rail projects, which means that approximately \$1.195 billion of American Recovery and Reinvestment Act (ARRA) funds, previously allocated to them, were made available to be reallocated to other states. On Thursday, December 9, 2010 the Federal Railroad Administration (FRA) informed the Authority that of these funds the Authority would be allocated an additional \$616M. As the total amount of ARRA funds now being made available to the Authority (\$2.87B excluding the \$715M HSIPR FY10 funds), is less than the original amount requested by the Authority, the FRA has requested (1) that the \$616M be incorporated into the Funding & Cooperative Agreements which are to be concluded by December 31, 2010, and (2) The \$616M be matched against 50% local Proposition 1A or equivalent funds.

As the Record of Decision/ Notice of Determination (ROD/NOD) and final selection of the alignment will not yet be completed for either Central Valley section by the time the Grant / Cooperative agreement is signed with the FRA, such Agreement would be conditioned upon the successful completion of the project-level environmental impact studies, the selection of the final preferred alternative route within the selected section and the conclusion of the ROD/NOD for the section by the fall of 2011, and consistent with all necessary federal, state and other approvals. The Authority would retain discretion over the outcome of the environmental process and would have the ability to seek adjustments to the grant agreement, if necessary, based on its final decisions.

Throughout the process it should be remembered that the California High-Speed Rail System will be the backbone passenger rail system of the State, and needs to connect southern and northern California, including the metropolitan areas of Los Angeles/Anaheim, San Diego, San Francisco, San Jose and Sacramento. This first step in the process, to select and then build the first segment of the line, is only the beginning of a continuous process, which should logically lead to the construction of the alignment, and completion of the whole interconnected network.

Appendix A: “Evaluation of the Application of the Additional ARRA Funding” describes the manner in which the additional \$616M in funds can be applied. Based on the assessment of risk, staff has concluded the “Initial Construction – Alternative 1” should be extended to the south to Bakersfield (Kern County).

Recommendation:

That the Board delegate to the Chief Executive Officer the authority to conclude the Funding/Cooperative Agreements with FRA on behalf of the Authority by the end of December 2010 incorporating the additional amount of \$616M for the continuation of the “Initial Construction” to the south to Bakersfield (Kern County).

Attachments:

- Appendix A: EVALUATION OF THE APPLICATION OF THE ADDITIONAL ARRA FUNDING

APPENDIX A

EVALUATION OF THE APPLICATION OF THE ADDITIONAL ARRA FUNDING

General Comment:

The environmental process is currently being conducted such that in many instances more than one alignment alternative is being evaluated and will be available for eventual selection as the environmental process is concluded. In all instances, typical alignment sections, including alternatives, have been used for costing reasons; however this should not be construed as a preference for one alignment over another. This is necessitated by the need to evaluate for costing. The extension of the Initial Construction Section of High-Speed Rail (HSR), through a grant agreement to provide construction funding, will be conditioned upon completion of environmental studies and selection of a final alignment and the issuance of a ROD/NOD by fall of 2011.¹

A. Eligibility of Applications:

The FRA requires that any rail project using ARRA funding be capable of demonstrating, upon completion “Operational Independence”/ “Independent Utility” as defined in Sec. 3.5.2 of the Notice of Funding Availability (NOFA). A project is considered to have Operational Independence “if, upon being implemented, it will provide tangible and measurable benefits, even if no additional investments in the same service are made.” Examples of these benefits include “operational reliability improvements, travel-time reductions, and additional service frequencies resulting in increased ridership.” In practice, this requirement means that the improvements can be used for existing or new intercity rail passenger operations, including Amtrak and other intercity service should no further High-Speed Rail funds be made available. Importantly, such service is clearly specified as being “intercity service” as opposed to enhanced commuter rail service. In the Central Valley the Amtrak’s *San Joaquin’s* would offer operational independence by connecting the new infrastructure to the existing BNSF network, on which the San Joaquin service presently operates.

B. Chronology of Events:

The following chronology highlights events leading up to the Board’s selection of the ARRA Section for initial construction of the California High-Speed Train Project:

¹ As the ROD/NOD for such selected alignment would not yet be completed by the time the Grant / Cooperative agreement is signed with the FRA, such Agreement would be conditioned on the successful conclusion of the environmental impact studies, the selection of the final alignment within the selected section and the conclusion of the ROD/NOD for the section by the fall of 2011 and consistent with all necessary federal, state and other permits and approvals.

- On January 28, 2010, USDOT announced the selection of the four sections eligible to receive up to \$1.656 billion², leaving the decision to the Authority as to which section would be built first.
- As part of its application for FY 2010 HSIPR funding the Authority redefined the four ARRA-eligible sections and submitted them to FRA as part of its applications for additional funding.
- On October 25, 2010, the USDOT announced an additional \$715 million in FY10 SDP funds for use by the Authority in the Central Valley. On November 4, 2010, the FRA clarified that both the FY09 ARRA funds and FY10 SDP funds must be applied to a single Central Valley project to be determined by the Authority.
- On December 2, 2010 the Authority Board adopted a resolution for allocation of the funding for Initial Build in the Central Valley consistent with the staff recommendation.
- On December 9, 2010 the FRA announced an additional \$616 million in ARRA funds for use by the Authority in the Central Valley.

C. Investigation of alternatives for the allocation of the \$616 million ARRA funding announced by the FRA on December 9, 2010.

As presented at the December 2nd meeting, the selected Initial Construction is well suited to utilize additional funding when available.

C-1: Construction to the North of the “Initial Construction”: Alternative 1

The environmental alternatives carried forward in the EIS/EIR analysis include three viable alternatives to the north of the Initial Build section. One of these alternatives follows the BNSF alignment, one is on the UPRR alignment and one is a hybrid which makes use of the BNSF immediately north of the Initial Build and then follows the UPRR. As the outcome of the environmental process, and the selection of the preferred alignment, can only take place in the Fall of 2011 after the issuance of the NOD/ROD, there is a possibility that an alternative with an element of UPRR alignment could become the preferred alignment. If this were to happen, the requirement for “Independent Utility” could not be guaranteed for the extension north of the Initial Construction, unless sufficient funds were to become available to ensure connectivity to the BNSF north of Merced, just south of the Castle Commercial Center. Thus it becomes “high risk” to apply the newly allocated ARRA funds north of the Initial Instruction because this funding could not be used if the UPRR becomes the preferred alignment.

² \$2.25 billion minus \$400M earmarked for TJPA’s Transbay Terminal = \$1.85 billion minus \$194M allocated to Phase 1 PE/NEPA/CEQA work = \$1.656 billion of Federal funds.

C-2: Construction to the South of the “Initial Construction”: Alternative 1

The alignments to the south (to Bakersfield) of the Initial Construction run mainly along the BNSF with a number of bypass loop alternatives. Accordingly connections to the BNSF tracks can be readily achieved, thereby meeting the “Operational Independence”/“Independent Utility” requirements for the ARRA funding.

The actual miles of construction which can be built with the \$616M, including Prop 1A funds, (total \$1.232 Billion) will depend on the final selection of the preferred alignment among the alternatives being evaluated, namely:

- a. Through Corcoran [C1] **OR** Corcoran Bypass [C2]
- b. West of Allensworth Park [A1] **OR** along BNSF east of Allensworth Park [A2]
- c. Through Wasco & Shafter [WS1] **OR** Wasco & Shafter Bypass [WS2]

These alternatives and the various iterations thereof offer numerous tie-ins to the BNSF tracks to offer “Operational Independence”. However, as the alternatives are numerous, staff have included the most expensive [1A] and least expensive [1B] combinations and shown these on Figure 4.

BACKUP INFORMATION

MAPS AND DATA

Figure 1: Central Valley Alignment

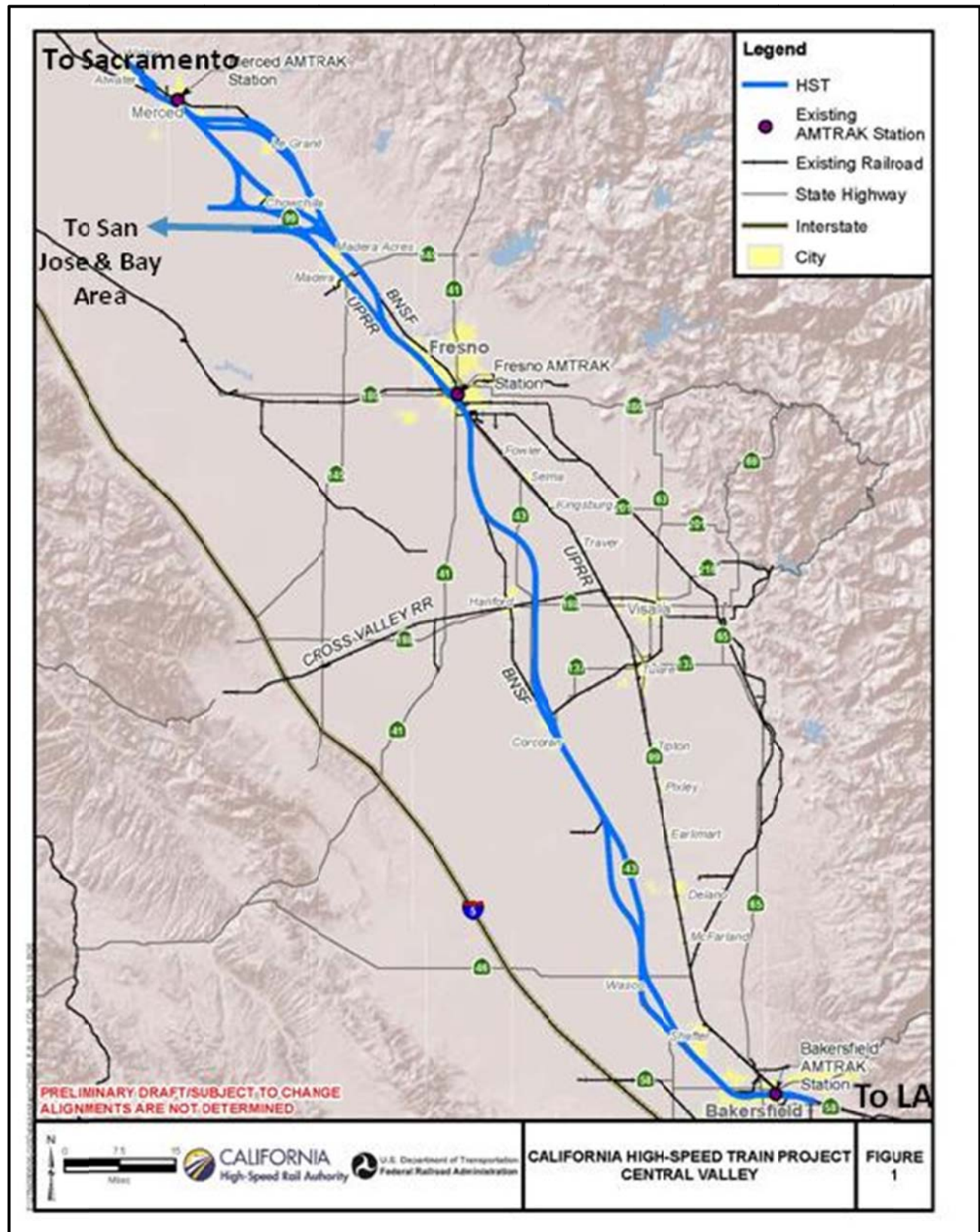


Figure 2: Central Valley Alignment
showing BNSF alignment in RED

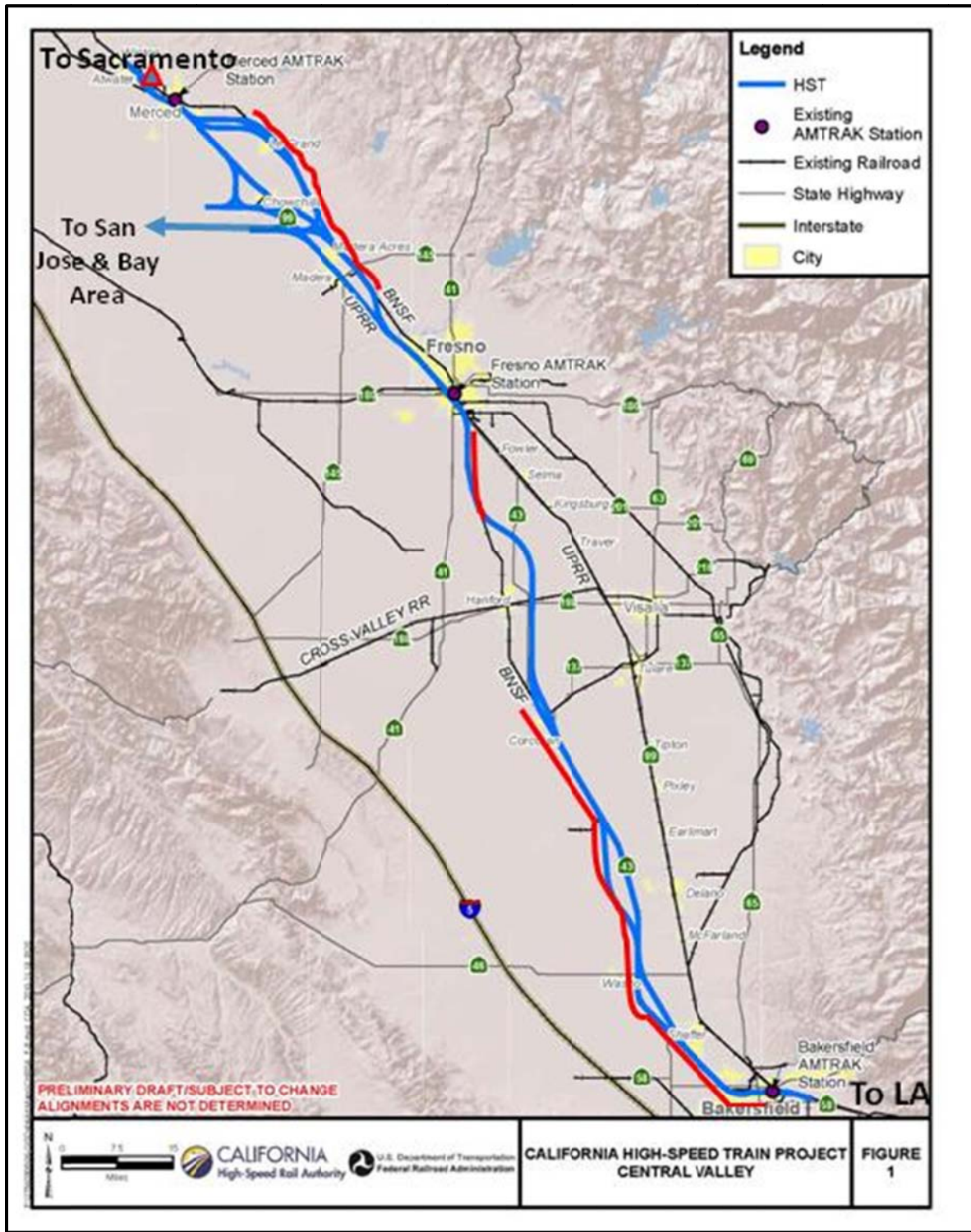


Figure 3: Alternative 1 : As Approved by Board

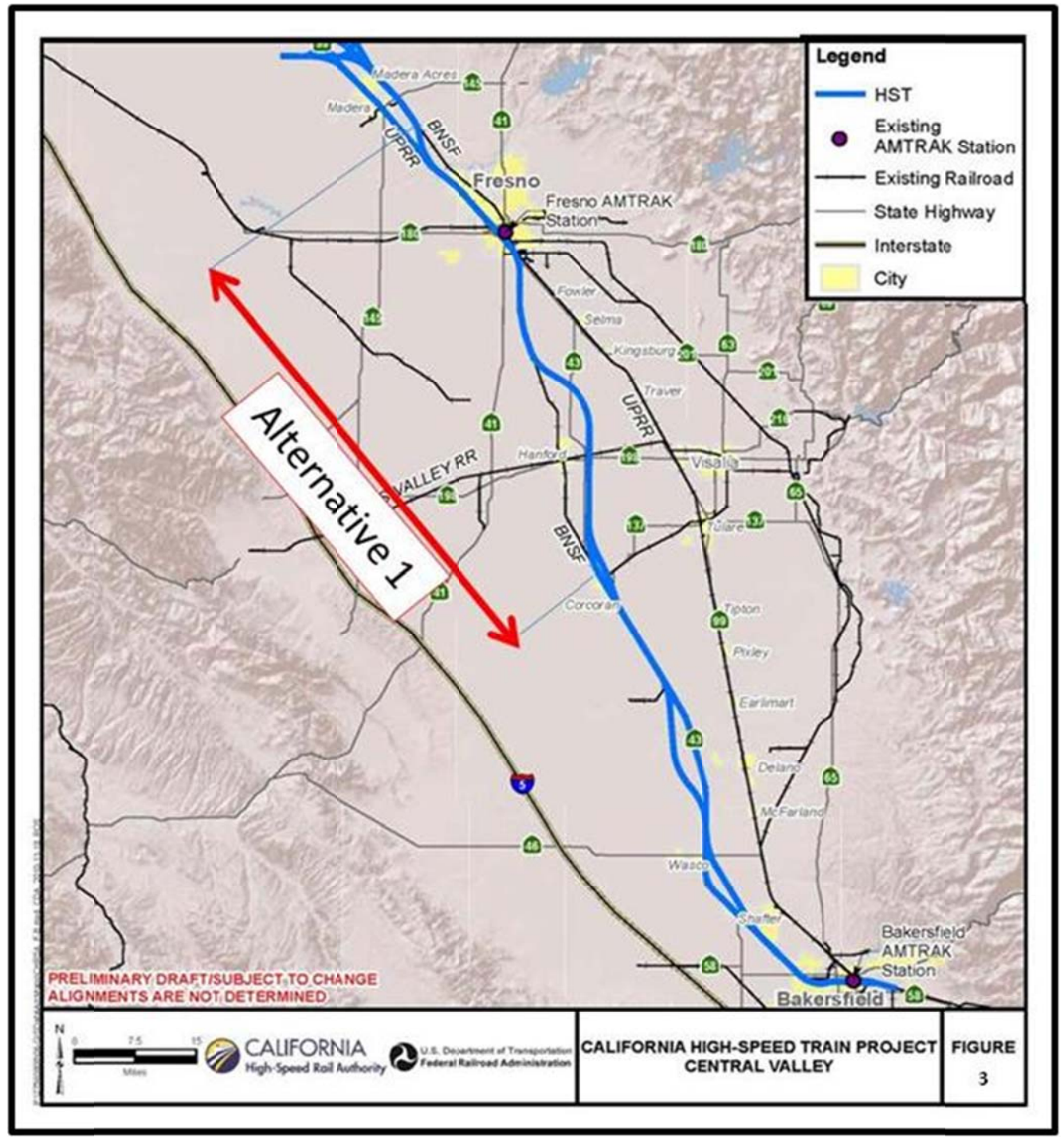


Figure 4: Allocation of Additional \$616M Funding

